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February 8, 2000

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David Waddell, Executive Secretary
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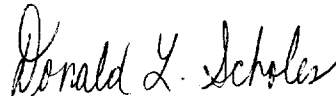
Hand Delivery

Re: Petition of Lynwood Utility Corporation to Change and Increase Rates and Charges -
Docket No. 99-00507

Dear Mr. Waddell:

I have enclosed an original and thirteen copies a Response to Fourth Information Request to Lynwood Utility Corporation in Docket No. 99-00507 dated January 27, 2000 and Late Filed Exhibit Filing. Please forward this page to all Authority personnel who receive copies of filings as soon as possible. Thank you for your assistance in this matter

Sincerely yours,



DONALD L. SCHOLLES

Enclosure

c: Vince Williams
Michael Horne
Davis Lamb

BKSJ File No.: 99-215

POSTED
2-8-2000

BEFORE THE TENNESSEE REGULATORY AUTHORITY

Nashville, Tennessee

2000 FEB 8 PM 3 51

IN RE: PETITION OF LYNWOOD UTILITY)
CORPORATION TO CHANGE AND)
INCREASE RATES AND CHARGES)

DOCKET NO. 99-00507

**RESPONSE TO FOURTH INFORMATION REQUEST TO
LYNWOOD UTILITY CORPORATION IN DOCKET NO. 99-00507
DATED JANUARY 27, 2000 AND LATE FILED EXHIBIT FILING**

Request 1. In your filing, you have proposed a rate increase from \$1.40 - \$7.21 per 1000 gallons for your one Non Residential Customer (Walnut Grove Elementary School). In your exhibits, you do not show any noticeable increase in revenue for the school over the 1999 revenue in any of the projected years (2000-2005). Using the present and proposed rates and the usage data, calculate the monthly/annual revenue for this customer? (This was requested at the hearing as an exhibit).

Response 1. At the hearing Director Greer pointed out that the revenue projection for the Walnut Grove Elementary School for 2000 did not show any increase in revenue over 1999 even though Lynwood filed for a rate increase for its commercial customers from \$1.40 per 1000 gallons to \$7.21 per 1000 gallons. Immediately after the hearing, I realized I had made no adjustment to the revenue projection for Walnut Grove Elementary School to take into account the increased rate. Although the rate for commercial customers in Lynwood's tariff is based upon water usage at an actual or assumed flow, to my knowledge Lynwood has always charged Walnut Grove Elementary School a flat rate of \$787.50 per month. I understand that this rate has been in effect since the school was built, and I have no knowledge of how it was originally computed. The school began receiving water service in September of 1989, and I presume that sewer service began at the same time. I have not been able to verify the date sewer service actually began.

To project the revenue effect of the proposed commercial rate increase, I contacted the City of Franklin to obtain the actual water usage of Walnut Grove Elementary School for the past year. I have attached as Exhibit 1 to this Response the computer print out I received from Franklin which shows the monthly water usage of the school for November 1998 through January 2000 billing periods. The average water usage of the school was 81,333 gallons per month. When I applied the existing Lynwood commercial rate of \$1.40 per 1000 gallons, I discovered that the school had not been charged the commercial rate in the tariff. Based upon an average monthly usage of 81,333, the average sewer bill to the school would have been \$113.86. Lynwood is currently charging the school \$787.50 per month for sewer use. Under the proposed commercial rate of \$7.20 per 1000 gallons, the average monthly bill for the school would have been \$586.41 which is also less than the \$787.50 the school has been billed.

Since I began working with Lynwood, I assumed that the school was a commercial customer and that the flat bill it has been paying was based upon an assumed flow which was used to compute the \$787.50. Clearly, the commercial rate in the Lynwood tariff was not used to compute the school's sewer bill. I do not know how the management of Lynwood at the time the school became a customer arrived at the \$787.50 monthly rate. I do not know if the management of Lynwood at that time did not consider the school to be a commercial customer and just established a separate flat rate for the school or whether the commercial rate was inappropriately applied.

To produce an average monthly bill of the amount the school is currently being charged of \$787.50, a commercial rate of \$9.68 per 1000 gallons is necessary. The average water bill of Walnut Grove Elementary School for the period set forth in the attached exhibit is \$251.28.

To assist in determining whether any increase in the commercial rate for Walnut Grove Elementary School is appropriate, I obtained from the City of Franklin the water usage and sewer bill of three other elementary schools which receive water and sewer service from the City of Franklin. The average monthly sewer bill for Liberty Elementary School from January 1999 to December 1999 is \$714.16. The average monthly sewer bill for Johnson Elementary School from January 1999 to December 1999 is \$166.25. The average monthly sewer bill for Hunters Bend Elementary School from January 1999 to December 1999 is \$316.74.

Walnut Grove Elementary School appears to be paying for sewer service at a higher rate than other local elementary schools receiving sewer service from the City of Franklin. The monthly sewer service rate based upon water usage necessary to maintain the school's current revenue contribution, which is \$9.68 per 1000 gallons, is 40% higher than the proposed residential sewer service rate. Consequently, an increase in the commercial rate for the school may not be just and reasonable. If the TRA agrees, Lynwood suggests that the TRA find that Walnut Grove Elementary School be classified as a commercial customer and that it approve a rate of \$9.68 per 1000 gallons which is designed to have the school's average monthly bill remain the same based upon recent monthly water usage.

Request 2. In your petition, you proposed an increase in your Tap Fee from \$1,750 to \$2,750 and a Sewer Connection Fee of \$250. You state in your testimony that future tap fees will be booked as Contribution in Aid of Construction to offset plant expansion cost. Provide the cost justification for the proposed fees, how the rate was developed and the total revenue by year. Also include the total cost of the expansion for Phase II and what portion the tap fees will offset. In addition provide the number of tap fees waived by the previous owner of Lynwood?

Response 2.

Tap Fees

When the petition was filed, Lynwood looked at the tap fee as the means by which Lumbermen's Investment Corporation would be repaid for its investment in the new plant expansion for the River Landing Subdivision. At that time Lynwood was seeking to provide funds to reimburse LIC as

rapidly as possible without imposing an undue burden on the lot owners. The only comparable private sewer utility to Lynwood for comparison purposes at that time was Cartwright Creek Utility Company, Inc. which is the sewer provider immediately to the north of Lynwood's service area. The TRA approved a tap fee of \$2,750 for Cartwright Creek Utility Company, Inc. in October of 1996.

For comparison purposes I contacted three other sewer providers in Williamson County to find out the amount of their sewer tap fees. The following tap fees are charged by other sewer providers in Williamson County:

Brentwood	\$3,500
Franklin (outside of City tap fee and access fee)	\$1,600
Harpeth Valley Utility District (tap fee and labor costs)	\$2,000

After the petition was filed, Lynwood learned that for ratemaking purposes tap fees should be accounted for as contributions in aid of construction with the expansion to its sewer plant rather than as operating revenues. The Lynwood sewer treatment plant has been and is being expanded in two phases with a total cost of \$1,443,515. These expansions will increase the plant capacity sufficient to service 785 additional residential customers. If Lynwood was able to sell all 785 taps, the tap fee necessary to recover the additional plant investment would be \$1,840. The only additional customers which Lynwood anticipates having in the foreseeable future are the purchasers of the lots in the Legends Ridge and River Landing Subdivisions. The number of lots in these subdivisions are 135 in Legends Ridge and 187 lots in River Landing. The prior owner of Lynwood waived the tap fees for 77 of the lots in Legends Ridge. Lynwood has collected tap fees in 1999 for 8 lots in Legends Ridge. If Lynwood is only able to sell the remaining 50 taps in Legends Ridge and the 187 lots in River Landing for a total of 237 taps to recover the additional plant investment, the tap fee needed to recoup the investment in the plant expansion would be \$6,090. This amount significantly exceeds the \$2,750 tap fee requested. In balancing the number of residential lots which could potentially be served by the plant expansions against the number of lots which Lynwood can reasonably anticipate will be served at the present time, the original \$2,750 tap fee requested appears to be a reasonable tap fee.

The total revenue projection from tap fees for 2000 to 2005 is as follows:

2000	58 taps @ \$2,750	\$159,500
2001	35 taps @ \$2,750	\$ 96,250
2002	35 taps @ \$2,750	\$ 96,250
2003	35 taps @ \$2,750	\$ 96,250
2004	33 taps @ \$2,750	\$ 90,750
2005	30 taps @ \$2,750	<u>\$ 82,500</u>
Total		\$621,500

Sewer Connection Fees

The Sewer Connection Fee is designed to cover the cost connected with the inspection of each service connection to our main collection lines on new construction and the cost of setting up

a new customer account. Lynwood proposed a service connection fee of \$250. When a service connection is made, Lynwood must pay its consulting engineer, Alley & Associates, Inc., to inspect the service connection. Currently, Alley & Associates, Inc. bills Lynwood \$130.00 for this inspection. Lynwood anticipates that the rates that the TRA will place into effect will be in effect for several years. During this period the rate Lynwood may be charged for inspection of a service connection from its consulting engineer may increase. Originally, this rate was also designed to cover some administrative costs associated with setting up a new account.

Since this rate petition was filed, Lynwood has entered into an agreement with the City of Franklin for it to perform billing and collection services for it. Lynwood hopes that Franklin will also take sewer applications as well so that any administrative work connected to setting up new service will be done primarily by Franklin with oversight by Lynwood. Lynwood hopes to set up a similar arrangement with H. B. & T. S. Utility District.

Lynwood is not opposed to reducing the service connection fee rate as long as it is designed to cover the full amount it is charged by its engineer for inspection services any future increase in the amount charged by the engineer. To the extent the sewer connection fee was designed to cover Lynwood's administrative costs in setting up new customer accounts, this cost is less with the billing and collection services being done by the water utilities. Lynwood is not opposed to adjusting its sewer connection fee to a flat fee in the \$150.00 to \$175.00 range or to a flat fee amount of \$25.00 or \$30.00 with a pass through of the actual cost charged by the engineer for a service connection expansion. The sewer connection fees will really not produce any material revenue for the utility but should be designed to fully cover the total costs of a sewer connection.

The total revenue projection from sewer connection fees for 2000 to 2005 is as follows (at \$150.00 per connection):

2000	58 taps @ \$150	\$ 8,700
2001	35 taps @ \$150	\$ 5,250
2002	35 taps @ \$150	\$ 5,250
2003	35 taps @ \$150	\$ 5,250
2004	33 taps @ \$150	\$ 4,950
2005	30 taps @ \$150	<u>\$ 4,500</u>
Total		\$33,900

Lynwood will incur an expense of at least \$130 for each connection which is not reflected in the yearly profit and loss statements submitted with my pre-filed testimony which amount will be \$29,380. Therefore, the overall revenue effect over the five year period will be \$4,520 or an average of \$904 a year.

Total Cost of the Expansion for Phase II and Amount Tap Fees Will Offset

The total cost of the expansion of Phase II will be \$1,075,515. I have included in this cost \$188,500 of capital improvements which are being done in connection with the Phase II expansion. The Phase II expansion will increase the capacity of the plant to serve 571 residential lots. Lynwood anticipates that from 2000 forward it will receive tap fees for 50 lots in Legends Ridge and from 187 lots in

River Landing. Currently, Lynwood is not aware of any other development which is being planned for its service area. Lynwood's plant will have capacity to serve an additional 446 lots after the build out of these two subdivisions, but it has no reason presently to believe that any additional tap fees will be paid. Therefore, the tap fees will offset \$651,750 of the Phase II expansion cost with the existing developments planned within Lynwood.

Number of Tap Fees Waived by Previous Owner

According to my records, the previous owner waived at least 77 taps valued at \$1,750 each which would be \$134,750.

Request 3. You have proposed a Disconnect and Reconnect fees increase from \$15 to \$25, however the agreement with the City of Franklin allows them to retain the fee. Please explain how and what fee the City will charge. What fee will you charge if the agreements are terminated or stopped?

Response 3. The tariff filed with the petition proposed a disconnect fee of \$25.00 and reconnect fee of \$25.00. These fees were originally proposed to cover the costs of disconnecting and reconnecting sewer service upon a termination of service. As a practical matter, Lynwood has no way of terminating sewer service to a customer for nonpayment. Lynwood does not terminate sewer service for nonpayment and these fees have not been charged even though they are in the tariff. These fees were proposed based upon disconnection fees and reconnection fees of other water and sewer utilities.

This inability to terminate sewer service is one of the reasons Lynwood decided to negotiate contracts with Franklin and H. B. & T. S. Utility District to provide billing and collection services and to include a provision for terminating water service for nonpayment of the sewer bill. Under the agreement made with Franklin and the proposed agreement with H. B. & T. S. Utility District, water and sewer bills must be paid in full to the respective water utility or water service will be terminated. Therefore, the water utilities will charge their own respective disconnection fee and/or reconnection fee for a failure to pay the sewer bill. If Lynwood is able to enter into the proposed agreement with H. B. & T. S. Utility District, then the tariff may not need to contain a fee for the disconnection and reconnection of service.

Lynwood would prefer to leave these fees in the tariff in the event it is unable to enter into an agreement with H. B. & T. S. Utility District or in the event either of the water utilities for some reason decide not to continue to provide billing and collection services in the future. Lynwood will revise the paragraph in its tariff to reflect that these fees would only be charged in the event Lynwood must terminate sewer service in the event it is unable to have the water utility do so for nonpayment of sewer charges. This same issue is also equally applicable to the late fee penalty. As long as the water utility is providing the billing and collection services, Lynwood would not need to charge a late fee. The late payment penalty of the water utility would apply.

Request 4. In your January 20, 2000 date response, you revised your Profit and Loss Projections for 1999-2005. Using the 1999 and 2000 projections, please explain the increased in the following items. Include your reasoning for the increase.

Item	1999	2000
Chlorine	\$6,004	\$12,000
State Franchise & Excise	\$1,833	\$5,432
Plant Supplies	\$944	\$1,800
Electricity for Plant	\$26,021	\$36,000
Repair & Maintenance		
Building	0	\$4,772
Equipment	0	\$4,884
Treatment Plant	\$700	\$3,108
Pump Station	\$692	\$1,620
Totals	\$1,392	\$14,384

Response 4.

Chlorine expense has been doubled based upon doubling the capacity of the plant.

Franchise and excise taxes have been increased to account for the increased value of Lynwood's assets of the utility plant in service with the plant expansion.

Plant Supplies have been doubled based on the doubling capacity of the plant.

Electricity costs have been increased by 38% based on doubling capacity of the plant.

The repair and maintenance expense for 1999 is not representative of the annual repair and maintenance expenses Lynwood can anticipate for 2000 and future years. In 1999 Lynwood incorporated repairs and replacements in the sewer plant expansion. Approximately, \$188,500 was spent in repairs and replacements in 1999. Some of these repairs would normally have been expensed during the year. Instead of expensing repair items, they were capitalized because they were a part of the plant expansion and because Lynwood had no funds to pay the repair expenses.

Lynwood submitted with in response to the first staff request a schedule which shows the actual repair and maintenance expenses for 1998 of \$11,589.43, a copy of which is attached. The repair and maintenance expenses for 1998 should be used for comparison purposes. Lynwood believes that the level of repairs and maintenance expense is important to keep the sewer system in proper operating condition. Lynwood has experienced problems with its sewer operations from the failure of the previous owners to make timely repairs and to properly maintain the system. The failure to make timely repairs and to do proper maintenance has resulted in higher costs in the long run. If rates are not set to provide funds for timely repair and maintenance, future problems will result. In my prefiled testimony, I stated that Lynwood needs to repair existing collection system lines which have 32 service areas subject to infiltration and one section of main line that needs repair. Lynwood estimates that cost of each repair to be in the \$2,800 to \$3,200 range. The roof of the sewer treatment plant is scheduled to be repaired and painted in 2000 which Lynwood estimates will be \$4,000.

Request 5. What benefits will the customers of Lynwood realize for the increase in cost from \$11,700 to \$40,100 per year?

Item	1999	2000
Contract Office Exp.	\$2,748	
Off Site Mgmt.	\$9,000	
Mgmt. Salary		\$12,000
Clerical Salary		\$3,000
Bill Processing Fee		\$25,128
Total	\$11,748	\$40,128

Response 5. The 1999 actual expenses for off-site management is not an accurate recordation of the actual expenses incurred for this item. You will see that the monthly amounts for off-site management was \$3,000 per month for the first three months of the year. Because of its financial condition, Lynwood was not able to pay this amount for the management of the system; therefore, no accounting entry was made for off-site management for the remainder of the year. I have spent a great deal of time in 1999 in performing work for Lynwood. This work has included:

- Overseeing day to day operations;
- Creating computerized records of customers and accounts;
- Talking to builders and developers to give information and to collect tap fees;
- Establishing system with Williamson County Building Department to insure tap fees are paid prior to building permit being issued;
- Creating vendor files;
- Paying all bills;
- Overseeing or personally retrieving 571 payments per month (to mail box, collect mail, open envelope, alphabetize, post payment, make deposit);
- Hiring attorney to handle accounts receivable;
- Investigating feasibility of collection agency for accounts receivable;
- Meetings and following up with Franklin and H. B. & T. S. Utility District to secure billing agreement;
- Filing annual tax returns, regulatory reporting functions;
- Seeking a new rate structure;
- Monitoring new building permits being issued;
- Monitoring property transfers monthly at Register of Deeds to keep accurate and current record of customers;
- Meeting with Tennessee Department of Environment and Conservation regarding expansion, previous violations;
- Overseeing expansion of the plant;
- Conducting feasibility study to add existing customers;
- Handling customer service on new accounts, billing adjustments, general questions and complaints; and
- Meeting with neighbors about plant expansion.

These items are not reflected in the off-site management expense for 1999.

My involvement in 2000 will continue to exceed the cost projected for 2000. The work on the rate case is ongoing. I will have to oversee the implementation of the billing with the water utilities. I will be overseeing Phase 2 of the sewer plant expansion. Rather than trying to set rates on the actual time spent in 2000, I tried to include only an estimate of the time required once billing has been established by the water utilities and the expansion is complete.

The most significant increase associated with this is the bill processing fee which the water utilities are paid. Without the billing relationship with the water utilities, Lynwood would need to hire a full time person to handle data entry of water usage, calculate monthly bills, prepare invoices, mailings, collect payments, post deposits, and answer billing questions, take applications for transfer of service, and take calls from builders.

The fee established for the billing and collection services of 7.5% of the sewer revenue collected in the agreement with Franklin is the same amount Franklin is charged by two water utility districts which bill sewer services for Franklin. H. B. & T. S. Utility District will expect to receive the same compensation. Without have the billing and collection services of the water utilities, Lynwood will have no practical way to enforce the nonpayment of sewer charges by the termination of service as has been the case in the past.


Under these circumstance the \$40,128 projected appears to be reasonable.

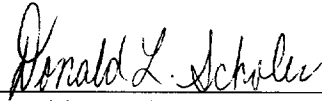
I am aware that the purpose of the last two Information Requests was to obtain information on the projected expenses on which rates will be set. I attempted to minimize some expenses to keep the rates lower in anticipation that as I had more experience with Lynwood, I would be able to reduce some expenses. Any additional review should be comprehensive. For example, the amount included for the cost of the rate case is \$6,000 amortized over a three year period. To date Lynwood has incurred over \$12,000 in pursuing this rate case.

Late Filed Exhibit

At the hearing Lynwood agree to revise its Contract for Sewer Tap Services to delete the paragraph which provides that the tap fees do not pass with the title of the property. A revised Contract with this paragraph deleted is attached as Exhibit 2 to this Response.

LYNWOOD UTILITY CORPORATION

By: 
Davis Lamb, President



Donald L. Scholes

BRANSTETTER, KILGORE, STRANCH & JENNINGS

227 Second Avenue, North

Fourth Floor

Nashville, TN 37201-1631

(615) 254-8801

Attorney for Petitioner

City of Franklin (Line: 16) (01/26/2000) (15:12) (PAMS) (Rev:04.60) (UB1100)
Utility Billing Customer File Inquire: 5B

* Acct#: 113-19100-01) [WALNUT GROVE ELEMENTARY] [Active] Cycle: (1) *
***** Service/ID: (1- 1) [Water] *** Meter# (1340347) *****
Avg: (81333) Days Heat Cool ---Date--- --Reading- --Consumed- ---Billed---
* Jan 2000 26 12/27/1999 8561000 55000 187.97 *
* Dec 1999 28 12/01/1999 8506000 71000 227.65 *
* Nov 1999 30 11/03/1999 8435000 88000 269.81 *
* Oct 1999 24 10/04/1999 8347000 101000 301.75 *
* Sep 1999 35 9/10/1999 8246000 123000 349.71 *
* Aug 1999 25 8/06/1999 8123000 38000 138.25 *
* Jul 1999 40 7/12/1999 8085000 60000 200.37 *
* Jun 1999 28 6/02/1999 8025000 140000 386.77 *
* May 1999 36 5/05/1999 7885000 91000 277.25 *
* Apr 1999 30 4/01/1999 7794000 63000 207.81 *
* Mar 1999 28 3/02/1999 7731000 99000 297.09 *
* Feb 1999 26 2/02/1999 7632000 67000 217.73 *
* Jan 1999 31 1/07/1999 7565000 45000 160.02 *
* Dec 1998 32 12/07/1998 7520000 83000 257.41 *
* Nov 1998 31 11/05/1998 7437000 96000 289.65 *

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05

EXHIBIT

1

AVG 81,333
mo. consumption

EXHIBIT

2

**CONTRACT FOR SEWER
TAP SERVICES**

CONTRACT FOR SEWER TAP SERVICES

The undersigned applicant hereby applies to the LYNWOOD UTILITY CORPORATION, hereinafter referred to as Corporation to supply sewer service to the premises hereinafter described and agrees to pay for such services when statement for same is rendered therefor in accordance with the rates, charges and rules and regulations in effect at the time the service is rendered.

The undersigned agrees to abide by and be subject to all the rules and regulations promulgated by the Corporation as approved by the Tennessee Regulatory Authority governing the installation and the use of sewer services and agrees that the Corporation may require from the undersigned or tenant of the premises a cash deposit of such amount as the Corporation deems adequate as security for payment of services rendered these premises pursuant to this contract.

It is specifically agreed and understood that the applicant will make no claim for damage on account of the interruption of sewage disposal resulting from accident or when necessary to make alterations, repairs or improvements, or when services are discontinued on account of non-payment of bills.

It is further agreed and understood that the applicant shall pay the full amount of cost of service at the effective rates approved by the Tennessee Regulatory Authority in accordance with the rules and regulations of the Corporation. All rates and charges are on file in the Corporation offices and at the Tennessee Regulatory Authority.

The applicant understands that he will receive a monthly bill from the Corporation or its designated representative for sewerage services furnished. A penalty provision applies on all bills after the 10th day of each month for which a bill has been rendered and will give the Corporation the right to collect such penalty. The failure to pay said bill by the 20th day of the month following said bill will give the Corporation the immediate right to discontinue the furnishing of service, or to enforce a lien against the applicant's property. Applicant understands and acknowledges that failure to pay the monthly service or other charges when due may result in a lien against his property. Applicant understands that the acceptance of this application by the Corporation is conditioned upon execution of the document creating a lien against applicant's property for non-payment.

It is further agreed and understood that discontinuance of service by the Corporation shall be terminated only in WRITTEN NOTICE to the Corporation and that this contract shall be in effect at all times pending such notice.

TAPPING PROVISIONS

Wherein in this contract the applicant purchases a sewer tap the following terms and conditions shall apply:

It is understood by and between the parties hereto that the consideration hereinafter enumerated is for the privilege of tapping the sewer mains of the Corporation, and does not include any other right, title or interest or any other or further privilege than the privilege to tap said main, under the terms and conditions herein set forth. These taps are sold for lots known as house Nos. _____ of _____, Williamson County, Tennessee, or lot Nos. _____ of _____ Subdivision, a plan of which is recorded in Book No. _____, Page _____, Register's Office, Williamson County, Tennessee.

It is further understood and agreed that each tap herein purchased will be used only for the sole benefit of the occupants of one house only, located on the lot for which said tap is sold and for no other persons, property or purpose and that in the event an additional house or houses are built on said property, that a tap privilege will have to be purchased for each additional house, and further that the tap privilege herein purchased cannot be shifted or changed to any other house or any other lot, except with the written consent and approval of the Corporation, and upon such terms and conditions as the Corporation may require.

It is further understood and agreed that upon the failure on the part of the undersigned applicant, or the heirs, representatives, successors or assigns of the applicant to pay when due, any obligation incurred under this contract, that such failure shall immediately entitle the Corporation to disconnect said tap or taps from its sewer main, or mains, and discontinue the privilege and retain the amount already paid to it, by the applicant as rental or liquidated damages.

It is further understood and agreed that any abuse of said sewer tap privilege by the violation of any of the terms, provisions and conditions of this contract, by the undersigned, or any of the privies of the applicant, even after the payment of the consideration herein mentioned, that any such abuse or violation by

the undersigned or any tenant, lessee, agent, heir, representative, successor, assign or grantee of the undersigned, shall give to the Corporation, the immediate right to disconnect said pipe or taps from its mains and discontinue said tapping privileges, retaining the money paid for said tapping privilege, as rental or liquidated damages

It is further expressly understood and agreed by and between the parties that the Corporation shall not be required to establish any lateral mains or any pipes within the property line of the undersigned, and that all pipes within the property line of the undersigned shall be laid by and be the property of the undersigned, except the sewer shut-off valve, and that the Corporation shall not be required to maintain or inspect any pipe or pipes upon the property or premises of the undersigned except the sewer shut-off valve.

It is understood that the failure on the part of the Corporation to take advantage of any breach of this agreement shall not be construed as a waiver, the right herein given being continuing ones.

The Corporation may at any time when necessary for repairs or for any other reason whatsoever shut off the sewer service from the applicant property without being liable in any way.

It is further understood and agreed that this contract shall in no way be deemed for the benefit of any third persons, but is only an agreement existing between the parties hereto, and their privies and that there is no implied or express covenants, representations, or warranties, not expressly stated herein.

EXECUTED this _____ day of _____, 1999.

Applicant

LYNWOOD UTILITY CORPORATION

BY: _____

Payment Made:

Acknowledge of Receipt of
Payment Made

Sewer Tapping Fee \$ _____

By _____
LYNWOOD UTILITY CORPORATION

APPLICANT